



AUDIT SUMMARY

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INTEGRITY ♦ RELIABILITY ♦ INDEPENDENCE ♦ ACCOUNTABILITY

OCTOBER 2001

RHODE ISLAND LOTTERY

FISCAL YEAR ENDED JUNE, 30 2001

We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the year ended June 30, 2001. The Lottery's financial statements indicate that \$180.7 million was paid to the State's General Fund for the year ended June 30, 2001. This amount represents the Lottery's income after payment of prize awards, commissions and operating expenses.

The amount paid to the General Fund increased \$30.4 million or 20.2% over the year ended June 30, 2000. Lottery sales for the year ended June 30, 2001 were \$978 million with video lottery comprising \$771 million or 78.8% of total sales. Total prizes paid approximated \$667 million. The Lottery's operating expenses totaled \$5.9 million for the year ended June 30, 2001.

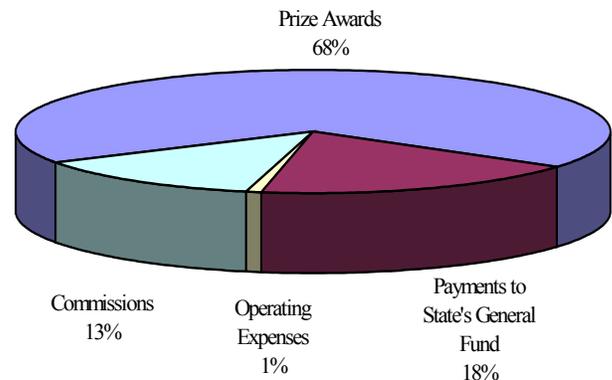
Total lottery sales increased \$113.9 million or 13.2% for the year ended June 30, 2001 as compared to the previous year. Most of the increase resulted from video lottery sales.

We concluded that the Lottery's financial statements for the year ended June 30, 2001 were fairly presented in accordance with accounting principles generally accepted in the United States of America.

We did not find any material instances of noncompliance with laws, regulations and contracts that we were required to report under *Government Auditing Standards*.

We did report a matter involving the Lottery's internal control over financial reporting. We recommended that access security to the computer systems used to operate the Lottery's games be

Distribution of Lottery Revenue



improved. During fiscal year 2001, the Lottery began implementing a formal comprehensive security plan. Complete implementation of a formal comprehensive security plan is necessary to ensure that access is appropriately restricted to authorized individuals and any unauthorized access is detected by the Lottery on a timely basis with appropriate follow-up.

Copies of this audit report can be obtained by calling 222-2435 or by visiting our website at www.oag.state.ri.us.

Audit Highlights

- The Lottery paid \$180.7 million to the State's General Fund for the year ended June 30, 2001.
- Total Lottery sales increased approximately \$113.9 million or 13.2% - mostly attributable to video lottery.
- Total prizes paid approximated \$667 million.
- We expressed an unqualified opinion on the Lottery's financial statements.